

Emnambithi / Ladysmith Municipality



**Annual Financial Statements
30 June 2012**

Annual Financial Statements

for

Emnambithi / Ladysmith Municipality

for the year ended 30 June 2012

Province :

Kwazulu-Natal

AFS rounding :

R'0 (to the nearest R1)

Contact Information:

Name of Municipal Manager :	Mr M P Khathide (Acting)
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Emnambithi / Ladysmith Municipality
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2012

General Information

Members of the Council

Mr M V Madlala	Mayor
Ms S R Mfusi	Deputy Mayor
Ms Z B Rasool	Speaker
Ms T Hadebe	Member of the Executive Committee
Mr P J Hurter	Member of the Executive Committee
Mr T P Makhaza	Member of the Executive Committee
Mr N M Mbatha	Member of the Executive Committee
Ms M N Mlotshwa	Member of the Executive Committee
Mr T Msomi	Member of the Executive Committee
Mr Z J Sibisi	Member of the Executive Committee

Municipal Manager

Mr M P Khathide (Acting)

Chief Financial Officer

Ms A R Ngwenya

Grading of Local Authority

Grade 4

Auditors

Auditor-General

Bankers

ABSA – Public Sector Banking

Registered Office :

Lister Clarence Building – 221 Murchison Street, Ladysmith

Physical Address :

Lister Clarence Building
Murchison Street
Ladysmith
3370

Postal Address :

P O Box 29
Ladysmith
3370

Telephone number :

036 –637 2231

Fax number :

036 – 631 1400

E-mail address :

mm@ladysmith.co.za

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2012

Acting Accounting Officer's Responsibilities and Approval

The Acting Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Acting Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Acting Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Acting Accounting Officer to meet these responsibilities, the Acting Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Acting Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Acting Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Emnambithi / Ladysmith Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 1 to 58, which have been prepared on the going concern basis, were approved by the Acting Accounting Officer on 31 August 2012 and were signed on its behalf by :

Mr M.P. Khathide
Acting Municipal Manager

EMNAMBITHI / LADYSMITH MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		843,918,131	814,439,516
Housing Development Fund	1	25,033,273	22,792,258
Accumulated Surplus/(Deficit)		818,884,858	791,647,258
Non-Current Liabilities		38,195,305	44,361,732
Long-Term Borrowings	2	5,190,105	6,600,283
Finance Lease Obligation	2	73,200	73,200
Retirement Benefit Obligations	5	32,932,000	37,688,249
Current Liabilities		157,321,895	128,888,516
Consumer Deposits	3	7,919,239	7,464,953
Provisions	4	13,108,739	5,648,700
Trade and Other Payables from Exchange Transactions	6	73,871,403	63,303,231
Unspent Conditional Grants and Receipts	7	56,321,412	51,113,615
VAT Payable	8	-	-
Cash and Cash Equivalents	18	4,616,678	-
Current Portion of Finance Lease Obligation	2	74,246	74,246
Current Portion of Borrowings	2	1,410,178	1,283,771
Total Net Assets and Liabilities		1,039,435,331	987,689,764
ASSETS			
Non-Current Assets		788,669,351	772,307,333
Property, Plant and Equipment	9	731,374,440	718,112,685
Intangible Assets	10	158,238	182,096
Investment Properties	11	56,960,000	53,821,000
Investments	12	-	-
Non-Current Receivables	13	176,672	191,551
Current Assets		250,765,981	215,382,431
Inventories	14	11,921,943	10,804,982
Trade and Other Receivables from Exchange Transactions	15	32,621,347	34,311,736
Other Receivables from Non-Exchange Transactions	16	15,882,966	27,469,784
VAT Receivable	8	2,524,923	723,563
Current Portion of Receivables	13	31,177	33,803
Short-Term Investments	12	70,739,034	53,955,064
Call Investment Deposits	17	117,044,589	82,997,183
Cash and Cash Equivalents	18	-	5,086,316
Total Assets		1,039,435,331	987,689,764

EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012

Budget		Note	Actual	
2011 R	2012 R		2012 R	2011 R
REVENUE				
101,693,222	99,276,973	19	99,278,609	101,693,924
9,547,236	9,171,484		9,171,484	9,234,879
174,442,536	217,725,387	20	208,586,770	175,463,311
4,728,736	6,691,027		7,409,732	5,269,047
2,200,405	626,863		628,385	1,078,141
5,760,835	3,386,465		3,386,165	4,363,734
6,384,759	6,150,918		6,150,917	6,209,057
105,060,721	102,303,889	21	148,125,131	145,330,120
-	-	21	9,550,335	19,807,143
56,434,309	118,585,043	33	37,481,171	22,345,026
-	-	11	3,462,188	89,900
-	-		-	-
-	-		287,000	236,940
466,252,759	563,918,049		533,517,886	491,121,223
EXPENSES				
110,578,418	126,139,587	22	123,805,255	114,977,312
14,034,013	12,383,508	23	12,164,110	11,080,332
11,037,230	15,324,892		15,324,891	2,486,128
21,264,980	15,221,643		13,613,089	12,405,955
67,395,945	93,052,981		58,842,446	77,025,019
297,218	43,788		43,788	297,218
32,750,015	33,050,287		31,968,690	27,348,049
408,000	673,206	24	681,942	1,782,728
116,600,000	141,131,574	25	141,131,571	113,539,623
5,547,614	5,999,979	26	4,906,147	5,147,362
-	-		4,913,427	11,274,037
-	-		9,550,335	19,807,143
128,122,458	128,623,965	27	87,117,216	81,170,827
-	581,457		64,686	-
-	-		-	-
-	4,000,000		3,807,698	4,282,360
508,035,891	576,226,867		507,935,292	482,624,093
-41,783,132	-12,308,818		25,582,594	8,497,130

EMNAMBITHI / LADYSMITH MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Housing Development Fund R	Accumulated Surplus/ (Deficit) R	Net Assets R
2010				
Balance at 1 July 2009		17,432,891	689,813,748	707,246,639
Surplus/(Deficit) for the year		-	1,610,701	1,610,701
Prior Year Adjustments		-	632,756	632,756
Prior Year Adjustments - PPE : Being the Take-On of Assets not previously recorded in the FAR	29	-	87,161,298	87,161,298
Prior Year Adjustments - Investment Property	29	-	-264,000	-264,000
Prior Year Adjustments - Bank : Unidentified Internal Funds	29	-	2,725,409	2,725,409
Transfer to Housing Development Fund		2,900,696	-	2,900,696
Balance at 30 June 2010		20,333,587	781,679,913	802,013,500
2011				
Balance at 1 July 2010		20,333,587	781,679,913	802,013,500
Surplus/(Deficit) for the year		-	8,497,130	8,497,130
Prior Year Adjustment : Correction of Error-Reversal of Interest Raised on Trade Receivables		-	-5,545,050	-5,545,050
Prior Year Adjustment : Unidentified Bank Deposits up to 30 June 2010		-	4,684,294	4,684,294
Prior Year Adjustment : Unclaimed Payments to Employees / Creditors		-	21,249	21,249
Other Transfers to Internal Funds		-	790,459	790,459
Transfer to Self-Insurance Fund		-	1,519,263	1,519,263
Transfer to Housing Development Fund		2,458,671	-	2,458,671
Balance at 30 June 2011		22,792,257	791,647,258	814,439,516
2012				
Balance at 1 July 2011		22,792,257	791,647,258	814,439,516
Surplus/(Deficit) for the period		-	25,582,594	25,582,594
Prior Year Adjustment : Unidentified Deposits Appropriated		-	347,892	347,892
Prior Year Adjustment : Unclaimed Payments from Employees / Suppliers		-	52,305	52,305
Other Transfers to Internal Funds		-	-75,333	-75,333
Transfer to Self-Insurance Fund		-	1,330,142	1,330,142
Transfer to Housing Development Fund		2,241,015	-	2,241,015
Balance at 30 June 2012		25,033,273	818,884,858	843,918,131

EMNAMBITHI / LADYSMITH MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS		550,236,822	482,428,523
Sale of goods and services		304,639,561	288,454,096
Grants		168,973,968	160,207,005
Interest received		8,038,117	6,347,188
Other receipts		68,585,176	27,420,234
PAYMENTS		-433,436,161	-395,215,572
Employee costs		-153,599,466	-140,056,108
Suppliers		-235,227,431	-229,203,172
Interest paid		-681,942	-1,782,728
Other payments		-43,927,322	-24,173,564
NET CASH FROM OPERATING ACTIVITIES	28	<u>116,800,661</u>	<u>87,212,951</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-75,899,024	-64,654,975
Purchase of investment property		-19,930	-121,182
Purchase of intangible assets		1,530,446	-
Proceeds on sale of assets		-	-
NET CASH FROM INVESTING ACTIVITIES		<u>-74,388,508</u>	<u>-64,776,156</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		-1,283,771	-8,785,209
Finance lease raised/(repaid)		-	1,299
NET CASH FROM FINANCING ACTIVITIES		<u>-1,283,771</u>	<u>-8,783,910</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>41,128,382</u>	<u>13,652,885</u>
Cash and cash equivalents at the beginning of the year		142,038,563	128,385,678
- Short-Term Investments		53,955,064	30,654,903
- Call Investment Deposits		82,997,183	83,567,369
- Cash and cash equivalents		5,086,316	14,163,407
Cash and cash equivalents at the end of the year		183,166,946	142,038,563
- Short-Term Investments	12	70,739,034	53,955,064
- Call Investment Deposits	17	117,044,589	82,997,183
- Cash and cash equivalents	18	-4,616,678	5,086,316

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as

far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality :

GRAP 18: Segment Reporting – issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

GRAP 21: Impairment of Non-Cash Generating Assets – issued March 2009:

Compliance with this standard would not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) – issued February 2008:

Non-exchange transactions in which the entity receives services without directly giving approximately equal value in exchange, has not been accounted for as revenue. These transactions are minimal and are considered immaterial.

GRAP 24: Presentation of Budget Information in Financial Statements – issued November 2007:

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in the appendices.

GRAP 25: Employee Benefits – issued December 2009:

Compliance with this standard would not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 26: Impairment of Non-Cash Generating Assets – issued March 2009:

Compliance with this standard would not have a significant impact on the financial position, financial performance or cash flows of the municipality.

EMNAMBITHI / LADYSMITH MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

ACCOUNTING POLICIES

GRAP 103: Heritage Assets – issued July 2008:

Compliance with this standard will not have an impact on the current financial information as the recognition and measurement requirements of the standard have already been adopted.

GRAP 104: Financial Instruments – issued October 2009:

Compliance with this standard would not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. INTERNAL RESERVES

3.1 Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services taking into account claims history and replacement values of the insured assets. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance

ACCOUNTING POLICIES

Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

EMNAMBITHI / LADYSMITH MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

ACCOUNTING POLICIES

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

4.2 SUBSEQUENT MEASUREMENT – COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

4.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The annual depreciation rates are based on the following estimated average asset lives:–

DETAILS	YEARS	DETAILS	YEARS
<i>Infrastructure</i>		<i>Other</i>	
Roads and Paving	5 – 100	Buildings	10 – 50
Pedestrian Malls	20	Specialised Vehicles	3 – 20
Electricity	10 – 50	Other Vehicles	3 – 20
Water	10 – 100	Office Equipment	5 – 7
Sanitation	10 – 100	Furniture and Fittings	10
Housing	30	Watercraft	15
Stormwater	25 – 120	Bins and Containers	5 – 10
<i>Community</i>		Specialised Plant and Equipment	5 – 15
Buildings	10 – 50	Other Items of Plant and Equipment	5 – 15
Recreational Facilities	10 – 100	Landfill sites	15

EMNAMBITHI / LADYSMITH MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

ACCOUNTING POLICIES

Security	3 -5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.5 INCOMPLETE CONSTRUCTION WORK

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

5. INVESTMENT PROPERTY

Investment property is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property

ACCOUNTING POLICIES

will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

5.1 FAIR VALUE

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

6. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

ACCOUNTING POLICIES

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

ACCOUNTING POLICIES

Item	Useful life
Servitudes	indefinite
Software	3 years

7. IMPAIRMENT OF ASSETS

7.1 CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in surplus or deficit.

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

ACCOUNTING POLICIES

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized immediately in surplus or deficit.

7.2 NON-CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in surplus or deficit.

An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

ACCOUNTING POLICIES

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized immediately in surplus or deficit.

8. INVENTORIES

8.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

8.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

ACCOUNTING POLICIES

9. FINANCIAL INSTRUMENTS

9.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

9.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

9.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30

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days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

9.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

9.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

10. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

ACCOUNTING POLICIES

11. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

ACCOUNTING POLICIES

14. LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

15. REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made

ACCOUNTING POLICIES

in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

ACCOUNTING POLICIES

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit has since been restricted to persons 50 years and older of age as at 1 July 2005. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees.

18. KEY SOURCES OF ESTIMATION, UNCERTAINTY AND JUDGEMENTS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each financial year. In determining whether an impairment should be recorded in surplus or deficit. Judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

ACCOUNTING POLICIES

Provisions

Provisions were raised and management used experts to determine an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 4 on Provisions.

Post Retirement Benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of post retirement obligation.

The municipality obtains an actuarial valuation of its post retirement healthcare benefit and disclosure of this obligation is included in note 5 on Retirement Benefit Obligations.

Allowance for Doubtful Debts

On debtors an impairment loss is recognised where there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 – *Financial Instruments – Recognition and Measurement*.

Useful Lives of Property, Plant and Equipment

The municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual lives are based on industry standards.

Impairment of Property, Plant and Equipment & Inventory

Estimates and judgements are made relating to property, plant and equipment for impairment testing and write-down of inventories to net realisable value as described in accounting policy 7 and 8 respectively.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other

ACCOUNTING POLICIES

party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

20. COMMITMENTS

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

21. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP).

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
1. HOUSING DEVELOPMENT FUND		
Housing Development Fund	25,033,273	22,792,258
Unappropriated Surplus/(Deficit)	(22,091,229)	(24,332,244)
Loans extinguished by Government on 1 April 1998	47,124,502	47,124,502
The Housing Development Fund is represented by the following assets and liabilities		
Property, plant and equipment	-	-
Housing selling scheme loans	(2,511,246)	(2,283,869)
Housing rental debtors	-	-
Bank and cash	27,544,519	25,076,127
Sub-total	25,033,273	22,792,258
Creditors	-	-
Total Housing Development Fund Assets and Liabilities	25,033,273	22,792,258
2. NON-CURRENT LIABILITIES		
<i>2.1 External Loans (Borrowings)</i>		
Loans	6,600,283	7,884,054
Less : Current portion transferred to current liabilities	(1,410,178)	(1,283,771)
- Borrowings	(1,410,178)	(1,283,771)
Total Borrowings	5,190,105	6,600,283
Refer to Appendix A for more detail on long-term liabilities.		
<i>2.2 Finance Lease Obligations</i>		
Minimum lease payments due		
- within one year	109,491	109,491
- in second to fifth year inclusive	64,528	64,528
- later than five years	-	-
	174,018	174,018
Less : Future finance charges	(26,572)	(26,572)
Present value of minimum lease payments	147,446	147,446
Present value of minimum lease payments due		
- within one year	74,246	74,246
- in second to fifth year inclusive	73,200	73,200
- later than five years	-	-
	147,446	147,446
Non-current liabilities	73,200	73,200
Current liabilities	74,246	74,246

It is the Municipality's policy to lease certain equipment under finance leases. The average lease term was 5 years and the average effective borrowing rate was 11.86% (2011 : 11.86%). Interest rates are fixed at the contract date. All leases have fixed repayments, except for two that have a 15% and 10% escalation, and no arrangements have been entered into for contingent rent.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
3. CONSUMER DEPOSITS		
Electricity	7,919,239	7,464,953
Total Consumer Deposits	7,919,239	7,464,953
Interest is not paid on Consumer Deposits		
Guarantees held in lieu of Electricity Deposits	2,656,020	2,656,020
4. PROVISIONS		
<u>Environmental Rehabilitation : Landfill Site</u>		
Balance at beginning of year	5,648,700	4,605,700
Contribution to provision	7,460,039	1,043,000
Total Provision	13,108,739	5,648,700

Provision for reclamation of refuse landfill site. In terms of the licencing of the refuse landfill site, council will incur rehabilitation estimation costs of R 13 108 739 (2011 : R 5 648 700) to restore the site at the end of its useful life.

The calculation is based on the total actual area of the Landfill site which is in use and unrehabilitated multiplied by the last known actual rehabilitation cost per hectare escalated to current cost.

2012
R

2011
R

5. RETIREMENT BENEFIT OBLIGATIONS

Post-Retirement Medical Aid Plan

The Municipality provides post-retirement healthcare benefits to certain of its retirees.

The valuation was performed by Independent Actuarial Consultants Pty Ltd (IAC).
Independent Actuarial Consultants Pty Ltd (IAC) is not connected to the Municipality.
The full actuarial valuation report is available on request.

The post retirement medical aid plan consists of the Bonitas, LA Health, Key Health and Samwumed medical aid funds.

The total in-service employees belonging to Medical Schemes as at 30 June 2012 were 20 and the total continuation employees receiving the medical benefit as at 30 June 2012 were 69.

The amounts recognised on the Statement of Financial Position are as follows:

Present value of obligations	32,932,000	37,688,249
Fair value of plan assets	-	-
Unrecognised Past Service cost	-	-
Unrecognised actuarial (gains)/losses	-	-
Liability Recognised in Balance Sheet	<u>32,932,000</u>	<u>37,688,249</u>

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Previous opening liability	37,688,249	36,772,912
Current service cost	889,000	1,067,000
Interest cost	3,241,000	3,426,000
Actual benefits paid	(1,718,249)	(1,370,918)
Actuarial loss / (gain)	(7,168,000)	(2,206,745)
Closing Balance	<u>32,932,000</u>	<u>37,688,249</u>

The amounts recognised in the income statement are as follows:

Current service cost	889,000	1,067,000
Interest cost	3,241,000	3,426,000
Actuarial loss / (gain) recognised	(7,168,000)	(2,206,745)
Transitional liability recognised	-	-
Total included in income statement	<u>(3,038,000)</u>	<u>2,286,255</u>

Principle actuarial assumptions used:

Discount rate	8.10%	8.60%
Health care cost inflation	6.90%	7.40%
Average retirement age-Males	63	63
Average retirement age-Females	60	60
Continuation of membership at retirement	90.00%	90.00%

The Municipality expects to pay R 2.5 million to its post-retirement medical aid plan in 2013.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	13,501,046	11,477,583
Sundry Creditors	39,026,260	32,288,976
Creditors – Operating Leases	1,898	1,898
Unidentified Deposits in Primary Bank Account	587,647	470,359
Deposits : Other	2,254,073	1,660,968
Other Creditors	56,851	67,500
Staff Leave	7,130,801	6,648,558
Payments Received in Advance i.r.o. Service Debtors	11,312,826	10,687,389
Total Trade and Other payables from Exchange Transactions	73,871,403	63,303,231

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement. Trade payables are non-interest-bearing and normally settled on 30-day terms, except retentions that could be settled after 12 months. Payments received in advance are non-interest bearing and normally settled on 30-day terms. Management policies are in place to ensure that all payables are paid within a reasonable timeframe, as stipulated in the MFMA, to ensure sound financial risk management.

7. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other Spheres of Government	56,321,412	51,113,614
Municipal Infrastructure Grant (MIG)	0	-
Dept of Housing	23,211,525	27,313,863
Financial Management Grant (FMG)	-	-
Municipal Systems Improvement Grant (MSIG)	-	-
Department of Minerals & Energy (DME)	(0)	3,483,256
Integrated National Electricity Programme (INEP)	10,472,362	5,475,520
Neighbourhood Development Partnership Grant (NDPG)	7,602,003	8,729,241
Small Town Rehabilitation (STR)	7,728,025	1,694,449
Other Grants	7,307,496	4,417,286
Total Conditional Grants and Receipts	56,321,412	51,113,614

The municipality's application for roll-over of unspent grants, totalling R 10 149 254, in respect of the Integrated National Electricity Programme Grant (INEP) and Neighbourhood Development Partnership Grant (NDPG) was not approved by National Treasury. The above unspent funds was as a result of late receipt of funds, delays in the tender process in appointing suitable contractors, and difficulties experienced with appointed contractors.

8. VAT PAYABLE / RECEIVABLE

Vat Payable / (Receivable)	(2,524,923)	(723,563)
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9. PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value	Infrastructure R	Community R	Heritage R	Other R	Land R	Leased Assets	Total R
Carrying values at 1 July 2011	535,146,911	53,814,138	15,291,511	89,466,247	24,322,000	71,879	718,112,685
Cost	1,171,743,471	184,830,307	15,302,512	189,542,597	24,322,000	364,705	1,586,105,591
Accumulated impairment	-	-	-	-	-	-	-
Accumulated depreciation	(636,596,560)	(131,016,169)	(11,001)	(100,076,350)	-	(292,826)	(867,992,906)
Acquisitions	31,130,819	3,504,215	-	19,400,913	-	-	54,035,947
Capital under Construction	25,113,745	1,826,634	-	(5,077,302)	-	-	21,863,077
Depreciation	(36,136,681)	(9,555,000)	(3,637)	(13,099,110)	-	(48,018)	(58,842,446)
Impairment	(64,686)	-	-	-	-	-	(64,686)
Carrying value of disposals	-	-	-	(3,730,136)	-	-	(3,730,136)
Cost/revaluation	-	-	-	(5,741,686)	-	-	(5,741,686)
Accumulated depreciation	-	-	-	2,011,550	-	-	2,011,550
Carrying values at 30 June 2012	555,190,108	49,589,987	15,287,874	86,960,610	24,322,000	23,861	731,374,439
Cost	1,227,923,349	190,161,156	15,302,512	198,124,522	24,322,000	364,705	1,656,198,243
Accumulated depreciation	(672,733,241)	(140,571,169)	(14,638)	(111,163,910)	-	(340,844)	(924,823,803)

30 June 2011

Reconciliation of Carrying Value	Infrastructure R	Community R	Heritage R	Other R	Land R	Leased Assets	Total R
Carrying values at 1 July 2010	541,000,564	59,063,597	15,295,148	95,212,451	24,322,000	123,209	735,016,969
Cost	1,132,536,030	175,513,347	15,302,512	180,179,646	24,322,000	364,705	1,528,218,239
Accumulated impairment	-	-	-	-	-	-	-
Accumulated depreciation	(591,535,466)	(116,449,750)	(7,363)	(84,967,194)	-	(241,496)	(793,201,270)
Acquisitions	6,846,369	3,691,208	-	11,708,720	-	-	22,246,298
Capital under Construction	32,361,072	5,625,752	-	4,759,831	-	-	42,746,654
Depreciation	(45,061,094)	(14,566,419)	(3,637)	(17,554,792)	-	(51,330)	(77,237,273)
Impairment	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	(4,659,964)	-	-	(4,659,964)
Cost/revaluation	-	-	-	(7,105,600)	-	-	(7,105,600)
Accumulated depreciation	-	-	-	2,445,636	-	-	2,445,636
Carrying values at 30 June 2011	535,146,911	53,814,138	15,291,511	89,466,247	24,322,000	71,879	718,112,685
Cost	1,171,743,471	184,830,307	15,302,512	189,542,597	24,322,000	364,705	1,586,105,591
Accumulated depreciation	(636,596,560)	(131,016,169)	(11,001)	(100,076,350)	-	(292,826)	(867,992,906)

Refer to Appendix B for more detail on property, plant and equipment.

Infrastructure Assets

Physical verification and valuation

- New infrastructure assets were physically verified during the 2011/2012 financial year. During this process the asset location, condition and maintenance history was recorded and evaluated.
- During the 2011/2012 financial year, the municipality identified assets relating to the prior year that were not previously disclosed. The municipality has subsequently disclosed these assets by way of a prior year adjustment.
- All assets were verified and condition assessments done during the year.

Movable Assets

Physical verification and valuation

- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- During the 2011/2012 financial year, the municipality identified assets relating to the prior year that were not previously disclosed. The municipality has subsequently disclosed these assets by way of a prior year adjustment.
- A 100% verification and condition assessment was done in 2011/2012.

Disclosure of the asset information not disclosed previously.

- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.
- The opening balance for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.

10. INTANGIBLE ASSETS

30 June 2012

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Servitudes	26,623	-	-	-	26,623
Computer Software	921,331	19,930	-	-	941,261
Total	947,954	19,930	-	-	967,884
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	(765,858)	(43,788)	-	-	(809,646)
Total	(765,858)	(43,788)	-	-	(809,646)
Carrying Value	182,096	(23,858)	-	-	158,238

30 June 2011

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Servitudes	26,623	-	-	-	26,623
Computer Software	800,149	121,182	-	-	921,331
Total	826,772	121,182	-	-	947,954
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	(468,640)	(297,218)	-	-	(765,858)
Total	(468,640)	(297,218)	-	-	(765,858)
Carrying Value	358,132	(176,036)	-	-	182,096

Physical verification and valuation

- All the Intangible assets have been verified during the year. During this process the asset location and description was recorded and evaluated.

Intangible assets disclosed relate to servitudes registered by the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the policy of this municipality to capitalise servitudes to projects which are currently disclosed as Infrastructure costs.

2012
R

2011
R

11. INVESTMENT PROPERTIES

30 June 2012

	Opening Balance R	Additions R	Fair Value Adjustment R	Impairment R	Transfers / Disposals R	Total R
Cost	53,821,000	7,812	3,462,188		(331,000)	56,960,000
Total	53,821,000	7,812	3,462,188	-	(331,000)	56,960,000
Accumulated Depreciation Total	-	-	-	-	-	-
Carrying Value	53,821,000	7,812	3,462,188	-	(331,000)	56,960,000

30 June 2011

	Opening Balance R	Additions R	Fair Value Adjustment R	Impairment R	Transfers / Disposals R	Total R
Cost	53,755,000	100	89,900	-	(24,000)	53,821,000
Total	53,755,000	100	89,900	-	(24,000)	53,821,000
Accumulated Depreciation Total	-	-	-	-	-	-
Carrying Value	53,755,000	100	89,900	-	(24,000)	53,821,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value of the above properties is R 56 960 000 (2011 : R 53 821 000). Investment properties have been valued in accordance with the new municipal valuation roll which became effective on 1 July 2008 and has been adjusted to take into account current market conditions.

The effective date of the fair value adjustments was 25 March 2012. The valuations were performed by the Municipal Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
12. INVESTMENTS		
Long-Term Investments	-	-
Short-Term Investments		
- ABSA	-	-
- First National Bank	15,215,885	10,003,090
- Investec	20,289,330	23,690,439
- Nedbank	-	20,261,534
- Standard Bank	35,233,819	-
Total Investments	70,739,034	53,955,064
13. NON-CURRENT RECEIVABLES		
State Housing Selling Schemes	197,630	196,735
Land Sales	-	-
Staff Housing Loans	10,219	28,619
Housing Loan Debtors		
	207,850	225,354
Less : Current Portion transferred to current receivables	31,177	33,803
State Housing Selling Schemes	29,645	29,510
Land Sales	-	-
Staff Housing Loans	1,533	4,293
Housing Loan Debtors	-	-
Total	176,672	191,551
14. INVENTORIES		
Unsold properties held for resale	6,200,500	6,210,500
Consumable Stores	5,589,223	4,242,948
Inventory Assets	132,220	351,534
Total Inventory	11,921,943	10,804,982

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

15. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2012

	Gross Balances	Provision for Bad Debts	Net Balance
Service debtors	103,616,808	(71,142,036)	32,474,773
Rates	75,572,384	(63,674,617)	11,897,766
Electricity	23,259,729	(3,582,326)	19,677,403
Refuse	4,784,696	(3,885,093)	899,603
Housing Debtors	1,820,045	(1,673,470)	146,575
Total	105,436,853	(72,815,506)	32,621,347

As at 30 June 2011

Service debtors	93,039,551	(58,853,721)	34,185,830
Rates	69,042,329	(54,046,638)	14,995,691
Electricity	19,515,087	(2,781,252)	16,733,835
Refuse	4,482,135	(2,025,831)	2,456,304
Housing Debtors	1,563,390	(1,437,485)	125,905
Total	94,602,942	(60,291,206)	34,311,736

Rates : Ageing

Current (0 – 30 days)	653,720	739,459
31 – 60 Days	2,036,006	2,193,108
61 – 90 Days	1,168,335	1,245,372
91 – 120 Days	1,275,358	1,202,007
121+ Days	70,438,965	63,662,383
Total	75,572,384	69,042,329

Electricity : Ageing

Current (0 – 30 days)	14,770,608	12,758,197
31 – 60 Days	2,283,551	1,390,944
61 – 90 Days	699,538	233,577
91 – 120 Days	1,046,450	122,995
121+ Days	4,459,583	5,009,374
Total	23,259,729	19,515,087

Refuse : Ageing

Current (0 – 30 days)	599,996	588,100
31 – 60 Days	208,830	193,022
61 – 90 Days	119,017	130,740
91 – 120 Days	109,417	123,670
121+ Days	3,747,436	3,446,603
Total	4,784,696	4,482,135

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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Reconciliation of the doubtful debt provision

Balance at beginning of the year	60,291,206	61,856,731
Contributions to provision	14,137,665	1,146,827
Additional provision for impairment	-	-
Doubtful debts written off against provision	(1,613,365)	(2,712,352)
Reversal of provision	-	-
Balance at year end	<u>72,815,506</u>	<u>60,291,206</u>

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R87 592 484 (2011: R 78 954 763) were impaired and provided for.
The amount of the provision was R72 815 506 as of 30 June 2012 (2011: R60 291 206).
The ageing of these receivables is as follows:

31 – 60 Days	2,887,950	2,408,233
61 – 90 Days	1,398,681	1,149,584
91 – 120 Days	1,627,122	1,066,081
121+ Days	66,901,752	55,667,309
	<u>72,815,506</u>	<u>60,291,206</u>

The fair value of trade and other receivables approximates their carrying amounts.

Debtors are individually evaluated annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns.

16. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Vat Service Debtors	4,636,135	3,654,728
Service Debtors – Conversion Debt	6,320	6,862
Legal Fees – Debtors	2,705,303	2,816,837
Credit Control Costs – Debtors	90,565	36,565
Sundry Debtors	<u>14,427,792</u>	<u>25,750,713</u>
	21,866,114	32,265,706
Less : Provision for Impairment	(5,983,148)	(4,795,922)
Total Other Debtors	<u>15,882,966</u>	<u>27,469,784</u>

Other Debtors with the exclusion of Vat Service Debtors are individually evaluated annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17. CALL INVESTMENT DEPOSITS		
The Municipality has the following call investment bank accounts :-		
<u>General Call Account</u>		
ABSA Bank – Public Sector Banking		
Account Number 9207051716		
Bank statement balance at end of period	20,084,812	9,813,231
<u>Department of Housing Grants Call Account</u>		
ABSA Bank – Public Sector Banking		
Account Number 9207052314		
Bank statement balance at end of period	40,195,077	41,796,537
<u>Grant Funds Call Account</u>		
ABSA Bank – Public Sector Banking		
Account Number 9207054081		
Bank statement balance at end of period	24,610,811	16,412,104
<u>Aloe and Berg Tea Call Account</u>		
ABSA Bank – Public Sector Banking		
Account Number 9207054934		
Bank statement balance at end of period	210,174	264,034
<u>Valuations Call Account</u>		
ABSA Bank – Public Sector Banking		
Account Number 9216278503		
Bank statement balance at end of period	10,880	3,368,688
<u>Depreciation Call Account</u>		
ABSA Bank – Public Sector Banking		
Account Number 9216278799		
Bank statement balance at end of period	7,509,413	4,174,156
<u>Small Town Rehabilitation Grant Call Account</u>		
ABSA Bank – Public Sector Banking		
Account Number 9236394943		
Bank statement balance at end of period	10,874,131	2,486,195
<u>Ladysmith Black Mambazo Call Account</u>		
ABSA Bank – Public Sector Banking		
Account Number 236410696		
Bank statement balance at end of period	1,806,312	1,698,338
<u>Self-Insurance Fund Call Account</u>		
ABSA Bank – Public Sector Banking		
Account Number 9251267674		
Bank statement balance at end of period	4,353,041	2,983,900
<u>Neighbourhood Development Partnership Grant</u>		
ABSA Bank – Public Sector Banking		
Account Number 9265577031		
Bank statement balance at end of period	7,389,939	-
Total Call Deposits	117,044,589	82,997,183

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

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R

18. CASH AND CASH EQUIVALENTS

The Municipality has the following bank account :-

Current Account (Primary Bank Account)

ABSA Bank – Public Sector Banking
Account Number 4071756088

Cash book balance at beginning of year	5,086,316	14,163,407
Cash book balance at end of period	(4,616,678)	5,086,316
Bank statement balance at beginning of year	10,294,546	15,665,461
Bank statement balance at end of period	12,127,770	10,294,546

19. PROPERTY RATES

Actual

Residential	50,456,335	51,683,870
Commercial	31,545,533	32,312,993
State	17,276,742	17,697,061
Total Assessment Rates	99,278,609	101,693,924

R'000

R'000

Valuations

Residential	6,233,230	5,447,678
Commercial	1,712,522	2,435,068
State	884,690	863,056
Total Property Valuations	8,830,442	8,745,802

Valuation on land and buildings is performed every five years. The last valuation came into effect on 1 July 2008. Supplementary valuations are processed on an ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

A residential property allocation factor of R0.01170 is applied to residential property valuations to determine assessment rates less R15 000 impermissible valuation allowed. A factor of R0.021 is applied to commercial and industrial with R15 000 impermissible valuation allowed. A factor of R0.0029 is applied to both Agricultural and Public Service Infrastructure respectively with R15 000 and 30% impermissible allowed respectively and phased in over 3 years, 2011 being the third year. A factor of R0.0486 is applied to vacant land. A factor of R0.0216 is applied to State Domestic with R15 000 impermissible valuation allowed. A factor of R0.0163 is applied to Ithala owned properties with R15 000 impermissible valuation allowed. A factor of R0.0117 is applied to Game Hunting & Eco-Tourism with R15 000 impermissible valuation allowed and phased in over 3 years, 2011 being the third year.

Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2012 (2011: 30 June 2011). Interest at 18% per annum (2011: 18%) is levied on outstanding rates as well as a 10% (2011: 10%) collection charge two months after final date of payment.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
20. SERVICE CHARGES		
Sale of electricity	193,945,782	162,531,088
Refuse removal	14,640,988	12,932,223
Total Service Charges	208,586,770	175,463,311
21. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	93,368,000	83,304,153
Provincial Health Subsidies	-	7,972,756
Municipal Infrastructure Grant (MIG)	19,218,611	22,130,650
Dept of Housing	9,550,335	19,807,143
Museum Subsidy	125,000	-
Financial Management Grant	1,450,000	1,200,000
Municipal Systems Improvement Grant	790,000	750,000
Department of Mineral & Energy (DME)	3,529,940	5,637,676
Integrated National Electricity Programme (INEP)	3,003,158	-
Neighbourhood Development Programme	15,777,237	9,563,759
Small Town Rehabilitation (STR)	9,966,423	10,369,815
Other Grants	896,761	4,401,311
Total Government Grant and Subsidies	157,675,466	165,137,263

21.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents and automatic indigents, whose Property Valuation is R 70 000 and less, receive a credit for their Property Rates and their monthly services account.

21.2 Provincial Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts - included in Health Services Vote	-	7,972,756
Conditions met - transferred to revenue	-	(7,972,756)
Conditions still to be met - transferred to liabilities	-	-

The Municipality rendered health services on behalf of the Provincial Government and was refunded approximately 100% of total expenditure incurred. This grant was used exclusively to fund clinic services and health inspections (included in the Health Services vote in Appendix D). The conditions of the grant have been met in previous years. This function has now been taken over by the Department of Health as from 1 May 2011.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

21.3 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Balance overspent at beginning of year (Debtor Raised)	(8,785,309)	(1,274,660)
Current year receipts	25,356,000	14,620,000
Conditions met – transferred to revenue (Other)	(19,218,611)	(22,130,650)
Funds not yet received – spending in advance (Debtor Raised)	2,647,920	8,785,309
Conditions still to be met – transferred to liabilities	<u>0</u>	<u>-</u>

This grant was used to construct roads and bridges, sportsfields and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

21.4 Department of Housing

Balance unspent at beginning of year	27,313,863	27,963,588
Current year receipts	5,447,997	19,157,418
Conditions met – transferred to revenue	(9,550,335)	(19,807,143)
Conditions still to be met – transferred to liabilities	<u>23,211,525</u>	<u>27,313,863</u>

This grant was used to construct houses as part of the upgrading of informal settlement areas.

21.5 Museum subsidy

Balance unspent at beginning of year	-	-
Current year receipts	125,000	-
Conditions met – transferred to revenue	(125,000)	-
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>

This grant was used to subsidise expenses incurred solely for the museums.

21.6 Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1,450,000	1,200,000
Conditions met – transferred to revenue	(1,450,000)	(1,200,000)
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>

This grant was used for interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and Asset Management.

21.7 Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	790,000	750,000
Conditions met – transferred to revenue	(790,000)	(750,000)
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>

This grant was used for systems to comply with the MPRA and Audit Outcomes i.t.o. GRAP.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

21.8 Department of Minerals and Energy (DME) Grant

Balance unspent at beginning of year	3,483,256	4,590,452
Current year receipts	-	4,000,000
Transfer amount from INEP Incorrectly disclosed	-	530,480
Conditions met – transferred to revenue	(3,529,940)	(5,637,676)
Funds not yet received – spending in advance (Debtor Raised)	46,684	
Conditions still to be met – transferred to liabilities	(0)	3,483,256

This grant was used for electricity connections to households in various areas.

21.9 Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of year	5,475,520	-
Current year receipts	8,000,000	6,006,000
Transfer amount to DME Incorrectly disclosed	-	(530,480)
Conditions met – transferred to revenue	(3,003,158)	-
Conditions still to be met – transferred to liabilities	10,472,362	5,475,520

This grant was used for electricity connections to households in various areas.

21.10 Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	8,729,241	-
Current year receipts	14,650,000	18,293,000
Conditions met – transferred to revenue	(15,777,237)	(9,563,759)
Conditions still to be met – transferred to liabilities	7,602,003	8,729,241

This grant is used for the upgrading of rural areas in terms of infrastructure development which includes streetlighting, pavements, taxi ranks, bridges, etc.

21.11 Small Town Rehabilitation Programme Grant (STRP)

Balance unspent at beginning of year	1,694,449	12,064,264
Current year receipts	16,000,000	-
Conditions met – transferred to revenue	(9,966,423)	(10,369,815)
Conditions still to be met – transferred to liabilities	7,728,025	1,694,449

This grant was used for the upgrading of the CBD roads, town beautification, sidewalks, parks and informal trader shelters.

21.12 Other Grants

Balance unspent at beginning of year	4,417,286	3,914,919
Current year receipts	3,786,971	4,903,678
Conditions met – transferred to revenue (Other)	(896,761)	(4,401,311)
Conditions still to be met – transferred to liabilities	7,307,496	4,417,286

21.13 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
22. EMPLOYEE RELATED COSTS		
Employee related costs – Salaries and Allowances	86,427,028	82,377,660
Employee related costs – Contributions for UIF, pensions, medical aids and group life	18,147,302	17,719,047
Travel allowances	5,914,874	5,233,855
Housing benefits and allowances	596,691	627,283
Overtime & standby payments	8,725,375	6,973,300
Performance bonus	136,598	315,922
Job Creation	21,487,488	15,728,709
Less : Employee costs to Property, Plant and Equipment and other expenses	(17,630,101)	(13,998,464)
Total Employee Related Costs	123,805,255	114,977,312

There were no advances or loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	964,584	907,476
Performance Bonus	72,598	117,115
Total	1,037,182	1,024,591

The Municipal Manager resigned on 31 January 2012, and the remuneration of the Acting Municipal Manager is also recorded for the period 1 February 2012 to 30 June 2012

Remuneration of the Chief Financial Officer

Annual Remuneration	848,640	559,900
Travel Allowance	64,000	173,433
Total	912,640	733,333

(11 months)

Remuneration of Individual Executive Managers / Managers (HOD's)
30 June 2012

	Economic Development (M)	Governance & Transformation (EM)	Electrical Services (EM)
Annual Remuneration	314,300	593,709	746,640
Overtime & Standby	57,970	20,737	-
Performance/Annual Bonuses	48,935	61,619	-
Housing Benefits and Allowances	71,094	31,336	-
Travel Allowance	123,921	140,086	102,000
Contributions to UIF, Medical and Pension Funds	6,264	3,232	-
Acting Allowance	45,003	20,073	-
Total	667,487	870,792	848,640

30 June 2012

	Corporate Services (M)	Engineering Services (M)	Public Safety (M)
Annual Remuneration	335,490	352,595	334,490
Overtime & Standby	59,987	60,788	59,987
Performance Bonuses/Annual Bonuses	29,666	29,666	29,666
Housing Benefits and Allowances	1,566	-	-
Travel Allowance	150,620	170,378	170,378
Contributions to UIF, Medical and Pension Funds	117,463	124,721	124,721
Contributions to Group Life	8,367	-	-
Total	703,159	738,148	719,243

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R	
<hr/>			
30 June 2011			
	Economic Development (EM)	Governance & Transformation (EM)	Electrical Services (EM)
Annual Remuneration	382,076	710,234	639,833
Overtime & Standby	58,419	-	-
Performance Bonuses/Annual Bonuses	99,403	99,403	-
Housing Benefits and Allowances	-	-	-
Travel Allowance	152,935	60,000	93,500
Contributions to UIF, Medical and Pension Funds	78,450	-	-
Contributions to Group Life	-	-	-
Total	771,285	869,638	733,333
			(11 months)

30 June 2011			
	Corporate Services (M)	Engineering Services (M)	Public Safety (M)
Annual Remuneration	327,720	343,644	327,720
Overtime & Standby	66,855	70,103	66,855
Performance Bonuses/Annual Bonuses	27,310	28,637	27,310
Housing Benefits and Allowances	5,556	-	-
Travel Allowance	154,661	131,134	156,761
Contributions to UIF, Medical and Pension Funds	114,638	87,458	114,638
Contributions to Group Life	5,112	-	-
Total	701,852	660,976	693,284

23. REMUNERATION OF COUNCILLORS

Mayor	652,710	623,041
Deputy Mayor	527,386	502,023
Speaker	525,946	502,023
EXCO Committee Members	1,642,962	1,735,999
Councillors	8,815,106	7,717,246
Total Councillors' Remuneration	12,164,110	11,080,332

In-kind Benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor and the Deputy Mayor each have two full-time bodyguards.

24. FINANCE COSTS

Long-term liabilities	671,068	1,725,578
Finance Lease Obligations	-	-
Other interest paid	10,873	57,150
Bank overdrafts	-	-
Total Interest Paid	681,942	1,782,728

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			2012 R	2011 R
25. BULK PURCHASES				
Electricity			141,131,571	113,539,623
Total Bulk Purchases			<u>141,131,571</u>	<u>113,539,623</u>
Distribution Losses : Electricity	2012 Kwh	2011 Kwh		
Value of Purchases at Purchase Price	259,253,693	267,632,593	106,294,014	112,405,689
Less : Sales at Purchase Price	(232,435,814)	(244,965,121)	(95,298,684)	(102,885,351)
Total Losses	<u>26,817,879</u>	<u>22,667,472</u>	<u>10,995,330</u>	<u>9,520,338</u>
Technical Losses	12,962,685	13,381,630	5,314,701	5,620,285
Non-Technical Losses	13,855,195	9,285,842	5,680,630	3,900,054
Total Losses	<u>26,817,880</u>	<u>22,667,472</u>	<u>10,995,331</u>	<u>9,520,338</u>
Percentage of Total Loss	10.34%	8.47%	10.34%	8.47%
The value of loss has been re-calculated for the 2010/2011 financial year using the purchase price and not the sale price per unit.				
26. GRANTS AND SUBSIDIES PAID				
Grants paid to students			191,394	148,190
Grants paid to other			6,000	-
Rates Rebates			4,708,753	4,999,172
Total Grants and Subsidies Paid			<u>4,906,147</u>	<u>5,147,362</u>

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
27. GENERAL EXPENSES		
Included in general expenses are the following:		
Advertising	814,463	1,163,426
Aloe & Berg Tea Project	172,648	265,779
Asset Management	2,677,604	1,861,358
Audit Fees	2,333,755	1,470,781
Bank Charges	357,894	278,436
Bulk Discounts	358,154	527,596
COVID - Workmen's Compensation	963,800	880,142
Commercialisation of Agricultural Projects	215,105	197,555
Conferences & Delegations	2,060,288	1,194,200
Connections for KWh Meters	782,203	559,274
Co-operative Development	82,538	142,905
Development Plans	735,338	630,298
Disconnections & Reconnections	455,678	621,820
Electricity	2,620,154	2,592,374
Electricity - Streetlighting	1,495,532	1,849,771
Emergency Relief Fund	822,784	267,610
Entertainment Expenses	113,199	143,278
Events / Programmes	2,339,804	2,124,905
Free Basic Alternative Energy	908,078	712,534
Insurance	2,481,735	2,974,811
Landfill Site Provision	-	1,043,000
Leave Provision	3,320,718	2,662,512
Legal Expenses	604,779	1,407,314
Licence Fees	240,710	404,466
Local Economic Development	369,486	165,030
Materials & Sundries	628,764	1,096,086
Medicines	-	170,151
Pauper Burials	101,000	129,385
Performance Management	103,749	888,547
Post Retirement Medical Aid Provision	4,033,432	2,394,254
Postage	924,843	933,973
Printing & Stationery	1,560,401	1,514,919
Project Development	337,019	581,461
Protective Clothing	818,509	630,982
Public Meetings	213,584	180,600
Rates	231,343	234,022
Refurbishment - NER Requirements	353,018	5,647,336
Rent - Buildings / Offices	147,600	251,678
SARS - Skills Development Levy	1,346,385	1,190,331
Security Services	2,680,454	1,679,118
Siyazenzela Project	2,268,434	2,006,374
Software Database	535,000	583,217
Sport & Recreation	1,127,179	
Subscriptions & Membership	806,425	743,216
Swimming Pool Costs	488,587	319,832
Tampered Meters	104,529	107,214
Telephone / Cellphone Cost	3,090,834	3,017,123
Third Party Payments	430,419	381,529
Trade Mission	102,652	110,441
Training Staff	1,083,055	1,104,531
Valuation Costs	314,093	171,151
Vehicle / Transport Costs	25,622,891	21,966,604
Ward Committees	551,857	359,214
Water / Sanitation	1,205,849	2,402,424
Youth Development Programme	529,636	485,277
Zibambele EPW Pilot Project	799,448	107,697
Other	7,249,783	3,640,969
	87,117,216	81,170,827

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
28. CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	25,582,594	8,497,130
Adjustment for:-		
Adjustments in Respect of Previous Years & Appropriations	(10,015,193)	5,059,126
Depreciation / Amortisation	58,842,446	77,025,019
Surplus on sale of assets	(287,000)	(236,940)
Loss on disposal of assets	3,807,698	4,282,360
Contribution to doubtful debt provision	15,324,891	2,486,128
Contribution to landfill site rehabilitation	7,460,039	1,043,000
Contribution to retirement benefit obligation	4,756,249	915,337
Loss on Impairment	64,686	-
Operating surplus before working capital changes:	105,536,412	99,071,160
(Increase)/decrease in inventories	(1,116,962)	4,249,265
(Increase)/decrease in debtors	(13,634,503)	(2,074,650)
(Increase)/decrease in other debtors	11,586,818	(10,361,967)
(Increase)/decrease in non-current receivables	-	-
(Decrease)/increase in unspent conditional grants and receipts	5,207,797	2,580,392
(Decrease)/increase in creditors	10,568,172	(6,521,900)
(Decrease)/increase in deposits	454,286	243,818
(Increase)/decrease in VAT Receivable	(1,801,360)	26,833
Cash generated by operations	116,800,661	87,212,951

2012
R

2011
R

29. CORRECTION OF ERROR

During the year the Municipality conducted a verification and condition assessment on Property, Plant and Equipment, Investment Property, and Inventory – Held For Sale. During this exercise the municipality found assets that were not on the current register or had been captured incorrectly. The Municipality rectified this retrospectively.

The cumulative effect on the 2011 Opening Balances are as follows :

Statement of Financial Position

Infrastructure Assets	65,968,809
Community Assets	20,439,228
Other Assets	753,261
Investment Property	(264,000)
Accumulated Surplus	(86,897,298)

The cumulative effect on the comparative amounts for 2011 are as follows :

Statement of Financial Position

Infrastructure Assets	(1,494,579)
Community Assets	305,724
Other Assets	207,272
Inventory	1,544,500

Statement of Financial Performance

Depreciation	2,048,699
General Expenses	(381,325)
Loss on Disposal of Assets	(799,604)
Impairment of Inventory	(1,562,500)
Other Income	700,940
Gains on Disposal of PPE	(236,940)
Profit on Fair Value Adjustment – Investment Property	(23,900)
Repairs and Maintenance	(308,287)

During the year the Municipality identified internal bank deposits related to receipting not recorded in previous financial years. The Municipality rectified this retrospectively.

The cumulative effect on the 2011 Opening Balances are as follows :

Statement of Financial Position

Cash and Cash Equivalents	2,725,409
Accumulated Surplus	(2,725,409)

The cumulative effect on the comparative amounts for 2011 are as follows :

Statement of Financial Position

Cash and Cash Equivalents	465,814
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Statement of Financial Performance

Service Charges	(441,387)
Licences and Permits	(24,427)

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
30. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
<u>30.1 Unauthorised Expenditure</u>		
Opening balance	18,623,733	82,392,830
Unauthorised expenditure current year	-	18,623,733
Approved by council or condoned	(18,623,733)	(82,392,830)
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	-	18,623,733
Unauthorised expenditure is related to the actual expenditure exceeding budgeted expenditure on the Statement of Financial Performance.		
<u>30.2 Irregular Expenditure</u>		
Opening balance	286,651	-
Irregular expenditure current year	18,449,191	3,155,958
Approved by council or condoned	(6,847,083)	(2,869,308)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting authorisation	11,888,759	286,651
Irregular expenditure is related to the non-adherence of Supply Chain Management procedures.		
- Non-compliance with the PPPFA Regulation	11,704,497	-
- Persons in the service of the state	184,262	286,651
	11,888,759	286,651
<u>30.3 Fruitless and Wasteful Expenditure</u>		
Opening balance	107,280	30,130
Fruitless and Wasteful expenditure current year	10,873	77,150
Approved by council or condoned	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and Wasteful expenditure awaiting authorisation	118,153	107,280
Fruitless and Wasteful expenditure is related to expenditure that was made in vain and would have been avoided had reasonable care been exercised.		
31. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>31.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	804,425	731,250
Amount paid - current year	(804,425)	(731,250)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>31.2 Audit Fees</u>		
Opening balance	-	-
Current year audit fee	2,534,771	1,662,849
Amount paid - current year	(2,534,771)	(1,662,849)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

31.3 VAT

All VAT returns have been submitted by the due date throughout the year.

31.4 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions	17,700,755	16,994,934
Amount paid – current year	(17,700,755)	(16,994,934)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-

31.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	26,857,120	27,630,534
Amount paid – current year	(26,857,120)	(27,630,534)
Amount paid – previous years	-	-
Balance unpaid (Included in creditors)	-	-

32. CAPITAL COMMITMENTS

32.1 Commitments in respect of capital expenditure:

- Approved but not yet contracted for		
Infrastructure	27,591,000	43,462,000
Community	2,000,000	-
Heritage	-	-
Other	12,400,000	3,736,000
Housing Development Fund	-	-
Investment Properties	-	-
- Approved and contracted for		
Infrastructure	21,156,002	24,671,330
Community	30,142,479	2,250,000
Heritage	-	-
Other	6,024,867	-
Housing Development Fund	-	-
Investment Properties	-	-
Total	99,314,347	74,119,330

This expenditure will be financed from:

- External Loans	-	-
- Government Grants	57,049,000	61,348,000
- Own Resources	42,265,347	12,771,330
	99,314,347	74,119,330

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

32.2 Operating leases

At the reporting date, outstanding commitments under operating leases fall due as follows:

Operating leases – as lessee

Within one year	144,000	49,658
In the second to fifth year inclusive	-	-
After five years	-	-
Total	144,000	49,658

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years and rentals have an escalation per annum. No contingent rent is payable.

Operating leases – as lessor

Minimum lease payments due

Within one year	328,388	328,583
In the second to fifth year inclusive	1,480,677	1,313,252
After five years	553,704	1,049,516
Total	2,362,768	2,691,352

Operating Leases consists of the following:

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties. Most leases have an indefinite term.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

33. OTHER INCOME

Included in other income are the following:

Advertising	-	222,332
Actuarial Gain – Post Retirement Benefits	7,168,000	-
Discounts Received	135,628	207,931
Fees : Brigade Service	287,997	269,386
Fees : Building Plans	114,390	130,401
Fees : Burial	131,083	130,980
Fees : Camping	55,789	93,158
Fees : Hiring	284,568	221,104
Fees : Sewerage Plans	187,869	205,801
Hire : Agra Crescent Hall	100,439	149,729
Hire : Town Hall	79,969	58,073
Legal Fees	189,453	899,121
Notice Processing Cost	793,307	276,629
Rates Clearance Certificates	189,361	219,299
Reconnection Fees : Non Payment	41,709	324,209
Refund Skills Development Levy	775,165	641,940
Rental Income – Housing	416,523	335,759
Rental Income – Sundries	751,531	675,102
Revenue – Third Party Payments	476,504	420,182
Sundries	734,538	623,761
Vehicle Income	20,167,770	14,359,865
Other	4,399,578	1,880,264
	<u>37,481,171</u>	<u>22,345,026</u>

34. RETIREMENT BENEFIT INFORMATION

Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Natal Joint Municipal Pension Fund (Superannuation)

The latest interim actuarial valuation of the NJMP Superannuation Fund as at 31 March 2012 disclosed that the Fund's financial position has improved from the previous statutory valuation. The fund disclosed a surplus of R 134,9 million.

The total rate of contribution by the municipality, including the surcharge, is 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries payable for a period of 8 years with effect from 1 July 2012.

Natal Joint Municipal Pension Fund (Retirement)

The latest statutory actuarial valuation of the NJMP Retirement Fund (defined benefit) as at 31 March 2012 disclosed a deficit in the fund of R 83,6 million.

The total rate of contribution by the municipality, including the surcharge, is 34,22% (18,37% plus the surcharge of 17,5% less 1,65%) of pensionable salaries payable with effect from 1 July 2012. The repayment period has been extended from 5 – 8 years from 2010.

Natal Joint Municipal Provident Fund

The latest statutory actuarial valuation of the NJMP Provident Fund (defined contribution) as at 31 March 2012 disclosed a deficit in the fund of R 83,5 million.

35. COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

No Councillors could be identified as having arrear accounts outstanding for more than 90 days during the 2011/2012 financial year:

36. RELATED PARTIES

36.1 Transactions with Related Parties

S Mahraj – Chief Internal Auditor	12,900
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The above employee is related to the owner of Maharaj's Driving school, of which the municipality conducted business with during the financial year.

36.2 Key Management Personnel Compensation

Compensation of Key Management Personnel and Councillors is set out in Notes 22 And 23 respectively to the Annual Financial Statements.

37. RISK MANAGEMENT

Financial Risk Management

The municipality's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and utilised borrowing facilities are monitored.

Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter – party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

38. CONTINGENT LIABILITIES

The Municipality identified the following contingent liabilities as at 30 June 2012 :

38.1 Claim for Damages

The municipality is being sued for breach of contract. The municipality is contesting the claim. The amount does not include legal fees. Case No. 424/2011	42,294
The municipality is being sued for damages. The municipality is contesting the claim. The amount does not include legal fees. Letter of Demand	18,970
The municipality is being sued for damages. The municipality is contesting the claim. The amount does not include legal fees. Case No. 207/2012	28,916
The municipality is being sued for damages. The municipality is contesting the claim. The amount does not include legal fees. Case No. 591/2012	14,576
The municipality is being sued for damages. The municipality is contesting the claim. The amount does not include legal fees. Case No. 173/2012	100,000
The municipality is being sued for damages. The amount does not include legal fees. The suit relates to the appointment of a service provider for a 3 year period for a Parking Management System in the Ladysmith CBD. The municipality is contesting the claim. Case No. 5386/2012	15,820,976
The municipality is being sued for a restitution claim alternatively damages for the sale of property. The municipality is contesting the claim. The amount does not include legal fees. Case No. 7241/2011	313,400

16,339,132

-

38.2 Other Claims

The municipality has a notice of motion to demolish a water pressure tower structure on a ratepayer's property. The municipality is contesting the motion. The cost is unknown at the reporting date.
Case No. 5728/2009

The municipality is being sued for the release of an impounded bus. The municipality is contesting the suit. The cost is unknown at the reporting date.
Case No. 1200/2011

The municipality is being sued for damages for the disconnection of electricity. The municipality is contesting the claim. The amount is unknown at the reporting date.
Letter of Demand

The municipality has a notice of motion which is being contested in the High Court in Pietermaritzburg for outstanding payment. The amount is unknown at the reporting date.
Case No. 1008/2012

The municipality has been served a notice of eviction. The municipality is contesting the notice. The amount is unknown at the reporting date.
Case No. 1787/2009

The municipality is being sued in the High Court for a valuation of property dispute. The municipality is contesting the suit. The amount is unknown at the reporting date.
Case No. 6047/2011

EMNAMBITHI / LADYSMITH MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

39. IMPAIRMENT OF ASSETS

Impairment Losses Recognised

Property, Plant and Equipment

Intangible Assets

Investment Property

Total Impairment Losses

64,686	-
-	-
-	-
64,686	-

Impairment losses on property, plant and equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of property, plant and equipment have been physically damaged, stolen or have become redundant and idle.

40. CHANGE IN ESTIMATE

The remaining useful life of the Infrastructure and Immovable assets were reviewed during the current year. During the review certain assets had the remaining useful life revised. The effect of this revision has decreased the depreciation charges for the current and future periods by R 20 626 729.14

41. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment

Recoverable amounts of property, plant and equipment

Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)

Present value of post retirement benefit obligation

Provision for doubtful debts

Impairment of assets

718,112,685	735,016,969
13,108,739	5,648,700
32,932,000	37,688,249
78,798,654	65,087,128
64,686	-

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

Provisions

64,686	-
91,907,393	70,735,828

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS				Balance at 30 June 2011 R	Received R	Redeemed or Written Off R	Balance at 30 June 2012 R
LONG-TERM LOANS							
	Interest Rate	Loan Ref.	Redeemable				
Absa Bank - Tsakane Electrification	9.10%	A1	Feb 2026	5,588,945	-	189,714	5,399,231
Absa Bank - Surveillance Cameras	9.33%	A2	June 2013	2,295,108	-	1,094,057	1,201,052
TOTAL EXTERNAL LOANS				7,884,054	-	1,283,771	6,600,283

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost			Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Under Construction	Disposals / Write-Off	Closing Balance	Opening Balance	
Infrastructure							
Electricity	276,961,316	8,657,728	-8,094,471	-	277,524,574	102,494,670	169,063,326
Roads	708,052,800	13,928,778	31,902,110	-	753,883,688	447,884,432	280,086,935
Public Safety	8,693,111	624,273	-	-	9,317,384	2,518,084	6,222,692
Solid Waste	6,835,507	7,460,039	-	-	14,295,546	436,709	13,858,837
Stormwater	171,200,737	460,000	1,306,106	-	172,966,843	83,262,665	85,958,318
	1,171,743,471	31,130,819	25,113,745	-	1,227,988,035	636,596,560	555,190,108
Community Assets							
Land & Buildings	87,444,013	2,101,617	1,826,634	-	91,372,264	70,187,582	14,391,558
Recreation Facilities	97,386,294	1,402,597	-	-	98,788,891	60,828,587	35,198,429
	184,830,307	3,504,215	1,826,634	-	190,161,156	131,016,169	49,589,987
Heritage Assets							
Buildings	15,277,000	-	-	-	15,277,000	-	15,277,000
Other	25,512	-	-	-	25,512	11,001	10,874
	15,302,512	-	-	-	15,302,512	11,001	15,287,874
Other Assets							
Land & Buildings	95,696,048	4,471,783	-2,453,117	-	97,714,713	74,475,543	18,118,905
Office Equipment	11,569,729	1,760,087	-	782,827	12,546,989	4,899,817	6,413,361
Furniture & Fittings	8,968,406	353,364	-	600,494	8,721,275	3,994,732	3,737,260
Motor Vehicles	57,300,380	9,366,428	-2,624,185	3,596,929	60,445,693	11,585,207	46,480,551
Plant & Equipment	16,008,035	3,449,252	-	761,436	18,695,851	5,121,052	12,210,533
Other	-	-	-	-	-	-	-
	189,542,597	19,400,913	-5,077,302	5,741,686	198,124,522	100,076,350	86,960,610
Leased Assets							
Office Equipment	364,705	-	-	-	364,705	292,826	23,861
	364,705	-	-	-	364,705	292,826	23,861
Land Assets							
Land with Buildings	10,017,000	-	-	-	10,017,000	-	10,017,000
Vacant Land	14,305,000	-	-	-	14,305,000	-	14,305,000
	24,322,000	-	-	-	24,322,000	-	24,322,000
Total	1,586,105,591	54,035,947	21,863,077	5,741,686	1,656,262,929	867,992,906	731,374,439

30 JUNE 2012

	2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus / (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus / (Deficit) R
	-	2,713,236	-2,713,236	Municipal Manager	-	-1,853,905	1,853,905
	2,467,515	34,846,904	-32,379,389	Admin and Valuation	3,621,860	31,660,935	-28,039,075
	248,807,265	96,301,703	152,505,562	Council General	261,661,318	95,990,821	165,670,497
	649,290	3,618,219	-2,968,930	Corporate Services	797,143	-354,872	1,152,016
	2,280,288	9,786,998	-7,506,709	Finance	2,439,697	12,142,136	-9,702,439
	6,739,151	76,120,067	-69,380,916	Public Works	5,546,053	83,679,845	-78,133,792
	167,365	10,250,126	-10,082,761	Development & Planning	147,977	12,034,829	-11,886,852
	13,360,650	38,370,796	-25,010,146	Admin And Environmental Health	5,472,108	33,070,826	-27,598,717
	14,624,431	27,619,457	-12,995,026	Public Safety	12,311,201	31,825,099	-19,513,898
	-	638,039	-638,039	Mechanical Workshop	-	1,215,343	-1,215,343
	330,700	12,308,133	-11,977,432	Real Estate and Housing	416,523	8,088,476	-7,671,953
	28,601,806	28,303,096	298,710	Environmental Hygiene	34,860,573	35,102,157	-241,584
	173,092,761	165,832,015	7,260,746	Electricity Service	206,243,432	200,078,658	6,164,774
	491,121,222	506,708,790	-15,587,567	Sub Total	533,517,886	542,680,348	-9,162,462
	-	-24,084,697	24,084,697	Less : Inter-Departmental Charges	-	-34,745,056	34,745,056
	491,121,222	482,624,093	8,497,130	Total	533,517,886	507,935,292	25,582,594

EMNAMBITHI / LADYSMITH MUNICIPALITY
APPENDIX D (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE PERIOD ENDED 30 JUNE 2012

REVENUE	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of Significant Variances greater than 10% versus Budget
Property rates	99,278,609	99,276,973	1,636	0.00	
Property rates – penalties and collection charges	9,171,484	9,171,484	-	0.00	
Service charges	208,586,770	217,725,387	-9,138,617	4.20	
Interest earned – external investments	7,409,732	6,691,027	718,705	-10.74	Increase in surplus funds resulted in more fixed term investments been placed.
Interest earned – outstanding debtors	628,385	626,863	1,522	-0.24	
Fines	3,386,165	3,386,465	-300	0.01	
Licences and permits	6,150,917	6,150,918	-1	0.00	
Government grants and subsidies	157,675,466	102,303,889	55,371,577	-54.12	Grants and subsidies also budgeted under other income.
Other income	37,481,171	118,585,043	-81,103,873	68.39	Grants and subsidies also budgeted under other income.
Profit on Fair Value Adjustment – Investment Property	3,462,188	-	3,462,188	0.00	
Gains on Disposal of property, Plant and Equipment	287,000	-	287,000	0.00	
Total Revenue	533,517,886	563,918,049	-30,400,163	5.39	
EXPENDITURE					
Employee related costs	123,805,255	126,139,587	-2,334,332	1.85	
Remuneration of Councillors	12,164,110	12,383,508	-219,398	1.77	
Indigency	13,613,089	15,221,643	-1,608,554	10.57	Indigency expenditure was less than anticipated in the financial year.
Bad debts	15,324,891	15,324,892	-1	0.00	
Depreciation	58,842,446	93,052,981	-34,210,535	36.76	Change in accounting estimate resulting from remaining useful life of PPE being adjusted / extended mainly on infrastructure assets.
Amortisation	43,788	43,788	-	0.00	
Repairs and maintenance	31,968,690	33,050,287	-1,081,597	3.27	
Finance charges	681,942	673,206	8,736	-1.30	
Bulk purchases	141,131,571	141,131,574	-3	0.00	
Grants and subsidies paid	4,906,147	5,999,979	-1,093,832	18.23	There was an underspending of grants and subsidies paid than was anticipated.
Grant Expenses	14,463,763	-	14,463,763	0.00	
General expenses	87,117,216	128,623,965	-41,506,749	32.27	Grant expenditure was budgeted for under general expenditure for capex and other.
Impairment of assets	64,686	581,457	-516,771	0.00	
Loss on Disposal of Property, Plant & Equipment	3,807,698	4,000,000	-192,302	0.00	
Total Expenditure	507,935,292	576,226,867	-67,582,502	11.73	
NET SURPLUS/(DEFICIT) FOR THE YEAR	25,582,594	-12,308,818	37,182,339	-6.34	

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Under Construction R	2012 Total Additions R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Infrastructure							
Electricity	8,657,728	-8,094,471	563,258	15,022,000	-14,458,742	-96	Grant Funding received late in the FY, and projects implemented only after funding was received.
Roads	13,928,778	31,902,110	45,830,888	47,852,000	-2,021,112	-4	
Public Safety	624,273	-	624,273	-	624,273	0	Street Furniture was procured through the operational budget.
Solid Waste	7,460,039	-	7,460,039	-	7,460,039	0	Provision increased for Rehabilitation of Landfill Site
Stormwater	460,000	1,306,106	1,766,106	1,767,000	-894	0	Contractor appointed late in FY to install tideflex valves, after late delivery of valves
	31,130,819	25,113,745	56,244,564	64,641,000	-8,396,436	-13	
Community Assets							
Land & Buildings	2,101,617	1,826,634	3,928,252	7,379,000	-3,450,748	-47	Projects were still in progress at year end and not completed as anticipated.
Recreation Facilities	1,402,597	-	1,402,597	6,206,000	-4,803,403	-77	Projects were still in progress at year end and not completed as anticipated.
	3,504,215	1,826,634	5,330,849	13,585,000	-8,254,151	-61	
Heritage Assets							
Buildings	-	-	-	-	-	0	
Other	-	-	-	-	-	0	
	-	-	-	-	-	0	
Other Assets							
Land & Buildings	4,471,783	-2,453,117	2,018,666	1,600,000	418,666	26	Possible classification under Community Assets
Office Equipment	1,760,087	-	1,760,087	872,000	888,087	102	Office Equipment was also procured through the operational budget.
Furniture & Fittings	353,364	-	353,364	129,000	224,364	174	Furniture was also procured through the operational budget.
Motor Vehicles	9,366,428	-2,624,185	6,742,243	5,635,000	1,107,243	20	Vehicles were also procured through the operational budget.
Plant & Equipment	3,449,252	-	3,449,252	1,300,000	2,149,252	165	Plant & Equipment was also procured through the operational budget.
Other	-	-	-	-	-	0	
	19,400,913	-5,077,302	14,323,611	9,536,000	4,787,611	50	
Land Assets							
Vacant Land	-	-	-	-	-	0	
	-	-	-	-	-	0	
Total	54,035,947	21,863,077	75,899,024	87,762,000	-11,862,976	-14	